

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Stambaugh	County Iron
Fiscal Year End 03/31/07	Opinion Date 06/18/07	Date Audit Report Submitted to State 08/06/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

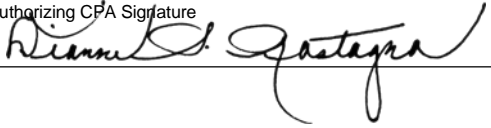
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DS Rostagno CPA P.C.		Telephone Number 906-265-1040	
Street Address 101 West Maple Street		City Iron River	State MI
		Zip 49935	
Authorizing CPA Signature 	Printed Name Dianne S. Rostagno, CPA		License Number 1101021859

TOWNSHIP OF STAMBAUGH

**Financial Report
with Supplemental Information
Prepared in Accordance with GASB 34**

MARCH 31, 2007

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INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Honorable Supervisor and Township Board
Township of Stambaugh
Caspian, Michigan 49915

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the **Township of Stambaugh**, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

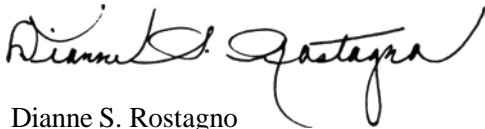
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Township of Stambaugh** at March 31, 2007, and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2007 on our consideration of the **Township of Stambaugh's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 7 through 20 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Township of Stambaugh's** basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno", written in a cursive style.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

June 18, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

STAMBAUGH TOWNSHIP

P.O.Box 545
Caspian, Michigan 49915

The management of the **Township of Stambaugh** provides this narrative overview and analysis of the financial activities of the **Township of Stambaugh** for the fiscal year ended March 31, 2007. As readers, you are encouraged to read this discussion and analysis in conjunction with the Township's financial statement information included in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, legislative, public safety, public works, Township property, and culture and recreation. The business-type activities of the Township include Water and Sewer utility service.

STAMBAUGH TOWNSHIP

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Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: **governmental funds**, **proprietary funds**, and **fiduciary funds**.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as on balances of spend-able resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered a major fund. The Liquor Law Enforcement Fund is a non-major governmental fund.

Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The Township adopts an annual budget for its general and other governmental funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general and other major governmental funds, and is included in the "Required Supplementary Information" section of this document.

STAMBAUGH TOWNSHIP

P.O.Box 545
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Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund –enterprise-type funds. The enterprise funds of the Township are used to report the same functions as the business-type activities in the government-wide financial statements. The Water and Sewer Utility Funds are presented separately in both the government-wide financial statements and the fund financial statements. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Supplementary Information

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the Township's major special revenue funds as presented in the governmental fund financial statements.

A separate financial statement for the Township's non-major governmental funds is also included in the Other Supplementary Information section of this document.

STAMBAUGH TOWNSHIP

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Government-wide Financial Analysis

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Township, assets exceeded liabilities by \$ 957,152 at March 31, 2007.

By far, the largest portion of the Township's net assets is its cash and cash equivalents. In addition, a large portion of Township assets are held in its investment in capital assets (land, buildings, infrastructure, machinery, and equipment), less any outstanding debt related to the asset. These capital assets are used to provide services to citizens and are not available for future spending. At March 31, 2007 the Township reported \$ 352,494 in net assets invested in capital assets net of related debt.

External restrictions of the Township's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$ 677,590 may be used to meet the Township's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at March 31 for the governmental activities and business-type activities were \$ 809,577 and \$ 147,575, respectively.

Summary of Net Assets

The following summarizes the comparative net assets at fiscal years ended March 31, 2007 and 2006:

	March 31, 2007		
	Primary Government		
	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	
<u>Assets</u>			
Current and other assets	\$ 697080	\$ (67833)	\$ 629247
Capital assets, net	<u>130429</u>	<u>222065</u>	<u>352494</u>
Total Assets	\$ 827509	\$ 154232	\$ 981741

STAMBAUGH TOWNSHIP

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Government-wide Financial Analysis (Continued)

Summary of Net Assets (Continued)

	March 31, 2007		
	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
<u>Liabilities</u>	<u>Activities</u>	<u>Activities</u>	
Long-term liabilities	\$ 0	\$ 0	\$ 0
Other liabilities	<u>17932</u>	<u>6657</u>	<u>24589</u>
Total Liabilities	\$ 17932	\$ 6657	\$ 24589
<u>Net Assets</u>			
Invested in capital assets, net of related debt	130429	222065	352494
Reserved	1558	(74490)	(72932)
Unreserved and undesignated	<u>677590</u>	<u>0</u>	<u>677590</u>
Total Net Assets	\$ 809577	\$ 147575	\$ 957152

	March 31, 2006		
	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
<u>Assets</u>	<u>Activities</u>	<u>Activities</u>	
Current and other assets	\$ 689837	\$ 20392	\$ 710229
Capital assets, net	<u>133359</u>	<u>152314</u>	<u>285673</u>
Total Assets	\$ 823196	\$ 172706	\$ 995902
<u>Liabilities</u>			
Long-term liabilities	\$ 0	\$ 0	\$ 0
Other liabilities	<u>17935</u>	<u>6039</u>	<u>23974</u>
Total Liabilities	\$ 17935	\$ 6039	\$ 23974
<u>Net Assets</u>			
Invested in capital assets, net of related debt	133359	152314	285673
Reserved	1811	14353	16164
Unreserved and undesignated	<u>670091</u>	<u>0</u>	<u>670091</u>
Total Net Assets	\$ 805261	\$ 166667	\$ 971928

STAMBAUGH TOWNSHIP

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Government-wide Financial Analysis (Continued)

For governmental activities, net assets increased by \$ 4,316 during the fiscal year. For business-type activities, net assets decreased by \$ 19,093 during the fiscal year.

The following represents the comparative changes in net assets for both governmental and business-type activities for the fiscal years ended March 31, 2007 and 2006:

	March 31, 2007		
	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<u>REVENUES</u>			
<i><u>Program Revenues</u></i>			
Charges for Services	\$ 3801	\$ 186423	\$ 190224
Operating grants/contributions	16143	0	16143
<i><u>General Revenues</u></i>			
Property taxes	64742	0	64742
Other taxes	33575	0	33575
Unrestricted grants	85845	0	85845
Other	<u>62694</u>	<u>5769</u>	<u>68463</u>
Total Revenues	\$ 266800	\$ 192192	\$ 458992
<u>EXPENSES</u>			
General Government	\$ 73912	\$ -0-	\$ 73912
Legislative	21554	-0-	21554
Township property	34335	-0-	34335
Public safety	21045	-0-	21045
Public works	95659	-0-	95659
Cemetery	9984	-0-	9984
Culture and recreation	165	-0-	165
Depreciation	<u>5830</u>	<u>-0-</u>	<u>5830</u>
Total governmental expenses	262484	-0-	262484
<u>Business-type activities:</u>			
Water	-0-	204870	204870
Sewer	<u>-0-</u>	<u>6415</u>	<u>6415</u>
Total business-type expenses	-0-	211285	211585
TOTAL EXPENSES	\$ 262484	\$ 211285	\$ 473769

STAMBAUGH TOWNSHIP

P.O.Box 545
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Government-wide Financial Analysis (Continued)

	March 31, 2007		
	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Increase (Decrease) in Net Assets before transfers	\$ 4316	\$ (19093)	\$ (14777)
Transfers – net	-0-	-0-	-0-
Increase (Decrease) in Net Assets	4316	(19093)	(14777)
Net Assets, beginning of year	<u>805261</u>	<u>166668</u>	<u>971929</u>
Net Assets, end of year	\$ <u>809577</u>	\$ <u>147575</u>	\$ <u>957152</u>

	March 31, 2006		
	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>REVENUES</u>			
<i><u>Program Revenues</u></i>			
Charges for Services	\$ 3817	\$ 155737	\$ 159554
Operating grants/contributions	1678	0	1678
<i><u>General Revenues</u></i>			
Property taxes	80635	0	80635
Other taxes	37599	0	37599
Unrestricted grants	92054	0	92054
Other	<u>3055</u>	<u>0</u>	<u>3055</u>
Total Revenues	\$ 218838	\$ 155737	\$ 374575

STAMBAUGH TOWNSHIP

P.O.Box 545
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Government-wide Financial Analysis (Continued)

	March 31, 2006		
	<u>Primary Government</u>		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<u>EXPENSES</u>			
General Government	\$ 74988	\$ -0-	\$ 74988
Legislative	19304	-0-	19304
Township property	38179	-0-	38179
Public safety	20545	-0-	20545
Public works	63367	-0-	63367
Cemetery	9984	-0-	9984
Culture and recreation	236	-0-	236
Depreciation	<u>5758</u>	<u>-0-</u>	<u>5758</u>
Total governmental expenses	232361	-0-	232361
<u>Business-type activities:</u>			
Water	-0-	138920	138920
Sewer	<u>-0-</u>	<u>6215</u>	<u>6215</u>
Total business-type expenses	-0-	145135	145135
TOTAL EXPENSES	\$ 232361	\$ 145135	\$ 377496
 Increase (Decrease) in Net Assets before transfers	 (13523)	 10602	 (2921)
Transfers – net	-0-	-0-	-0-
 Increase (Decrease) in Net Assets	 (13523)	 10602	 (2921)
Net Assets, beginning of year	<u>818784</u>	<u>156065</u>	<u>974849</u>
Net Assets, end of year	\$ <u>805261</u>	\$ <u>166667</u>	\$ <u>971928</u>

STAMBAUGH TOWNSHIP

P.O.Box 545
Caspian, Michigan 49915

Governmental Activities

Property taxes and other tax revenues comprise \$ 98,317 or approximately 37 percent of total governmental revenues.

The Township also collected \$ 3,801 for services provided. And, at fiscal year end, the Township reported \$ 85,845 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution, and comprises approximately 33 percent of total governmental revenues.

The Township expended \$ 262,484 on governmental programs and services. Some of the largest expense categories were for public works, where \$ 95,659 or 37 percent of total governmental expenditures were reported. General government expenditures were \$ 73,912 or 29 percent of total governmental expenditures. A total of \$ 34,335 was expended on the maintenance of Township property.

Business-type Activities

Business-type activities decreased the Township's net assets by \$ 19,093. Charges for services for the Water and Sewer activities for the year ended were \$ 178,745 and \$ 7,678, respectively. Total expenses for the Water and Sewer activities for the year ended were \$ 204,870 and \$ 6,415, respectively.

Financial Analysis of the Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. This information is useful in assessing the Township's financing requirements.

In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

STAMBAUGH TOWNSHIP

P.O.Box 545
Caspian, Michigan 49915

Governmental Funds (Continued)

The Township's governmental funds reported combined ending fund balances of \$ 679,148, of which \$1,558 is reserved and the remaining \$ 677,590 is available for spending at the government's discretion.

The Township's primary governmental fund is its general fund. There are no reservations in the general fund's fund balance.

On the budgetary basis of accounting, the Township ended the fiscal year with revenues exceeding both the original and the final budgetary projections. Total expenditures were considerably lower than the original and final projections. Because of this, at fiscal year, the fund balance was substantially higher than either the original or the final amended budget projections.

Revenues - Budget vs Actual for the Fiscal Year Ended March 31, 2007:

	<u>Revenues Original Budget</u>	<u>Revenues Final Budget</u>	<u>Revenues Final Actual</u>	<u>Revenues Actual Variance And Original Budget</u>	<u>Revenues Variance Actual and Final Budget</u>
General Fund	\$ 107150	\$ 107150	\$ 265508	\$ 158358	\$ 158358

Expenditures – Budget vs Actual for the Fiscal Year Ended March 31, 2007:

	<u>Expenditures Original Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Actual</u>	<u>Expenditures Actual Variance And Original Budget</u>	<u>Expenditures Variance Actual and Final Budget</u>
General Fund	\$ 358069	\$ 358069	\$ 258009	\$ 100060	\$ 100060

General fund financial and budgetary highlights of the fiscal year include:

- * Property taxes, administration fees, and other taxes exceeded budgetary projections by \$78,317.

STAMBAUGH TOWNSHIP

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Governmental Funds (Continued)

- * State sales tax distributions were up from the original and final amended budget, coming in at \$ 90,591, which is more than the budget estimates of \$ 75,000.
- * Expenditures in total for the general fund were \$ 258,009, less than the original and final amended budgets by \$ 100,060. This was due to a conservative approach to budget estimates in all cost centers.

Proprietary Funds

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Water Fund at year-end were \$ 143,654. Of this amount, \$ 222,065 of Township equity in the Water Fund was invested in capital assets, net of related debt. The change in net assets was a loss of \$20,356.

Net assets of the Sewer Fund at year-end were \$ 3,921. There are no recorded fixed assets in the sewer fund.

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of March 31 was \$ 352,494. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$ 273,732 or approximately 48 percent of the estimated original cost of total assets. The infrastructure is accounted for in the Water Fund. There is no infrastructure attributed to the General Fund.

STAMBAUGH TOWNSHIP

P.O.Box 545
Caspian, Michigan 49915

Capital Assets and Debt Administration (Continued)

Capital Assets (Continued)

Major capital events and accomplishments during the current fiscal year included:

- * Infrastructure improvements on the East Hill pumphouse and well
- * Completion of a meter pit and wellhouse
- * Pentoga water project
- * Purchase of a new power plant at the cost of \$8,000.

Long-term debt

As of March 31, the Township (including the enterprise funds) had no bonded debt outstanding.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. Since the Township has no bonded debt, this is not a concern to the Township.

Other Economic Factors and Next Year's Budget

Economic Factors

Despite the continuing uncertainties of the State's budget and its effect on Township government, the Township will continue to strive to provide good social and cultural conditions that support healthy families, and maintain a safe and clean community in which to live.

STAMBAUGH TOWNSHIP

P.O.Box 545
Caspian, Michigan 49915

Other Economic Factors and Next Year's Budget (Continued)

Economic Factors (Continued)

The Township's fiscal year 2007-2008 general fund budget does not vary considerably from the 2006-2007 budget.

There are no major plans or priorities for the 2007-2008 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Township of Stambaugh
Caspian, Michigan 49915

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF STAMBAUGH

STATEMENT OF NET ASSETS

MARCH 31, 2007

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
<u>ASSETS</u>	<u>Activities</u>	<u>Activities</u>	<u>Reporting Entity</u>
<u>Current Assets</u>			
Cash and Cash Equivalents (Note C)	\$ 599,978	\$ (30,914)	\$ 569,064
Receivables			
Taxes	4,947	-	4,947
Accounts Receivable	-	15,513	15,513
Internal Balances	52,432	(52,432)	-
Due from External Parties	39,723	-	39,723
Total Current Assets	697,080	(67,833)	629,247
<u>Noncurrent Assets</u>			
Cash and Cash Equivalents, Restricted	-	-	-
Capital Assets, Net (Note H)	130,429	222,065	352,494
Total Noncurrent Assets	130,429	222,065	352,494
TOTAL ASSETS	\$ 827,509	\$ 154,232	\$ 981,741
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts Payable	-	-	-
Accrued Taxes and Benefits	831	6,657	7,488
Deferred Revenue	17,101	-	17,101
Total Current Liabilities	17,932	6,657	24,589
<u>Noncurrent Liabilities</u>			
Long-term Debt	-	-	-
Total Noncurrent Liabilities	-	-	-
TOTAL LIABILITIES	\$ 17,932	\$ 6,657	\$ 24,589
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	130,429	222,065	352,494
Reserved for Liquor Law Enforcement	1,558	-	1,558
Reserved for Utility Services	-	(74,490)	(74,490)
Unreserved and Undesignated	677,590	-	677,590
TOTAL NET ASSETS	\$ 809,577	\$ 147,575	\$ 957,152

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED MARCH 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants</u>
Primary Government -				
General government	\$ 73,912	\$ 2,626	\$ -	\$ -
Legislative	21,554			
Township property	34,335	425		
Public safety	21,045		1,293	-
Public works	95,659		14,850	
Cemetery	9,984			
Culture and recreation	165	750		-
Depreciation (Unallocated)	5,830			
Total Governmental Activities	\$ 262,484	\$ 3,801	\$ 16,143	\$ -
 <u>Business-type Activities</u>				
Water Utility	204,870	178,745		
Sewer Utility	6,415	7,678		
Total Business-type Activities	\$ 211,285	\$ 186,423		

General Revenues:

Taxes:

 Property taxes levied for general operations

 Other taxes and fees

State Sales Tax Distribution

Interest and Investment Earnings

Other

Total General Revenues

Change in Net Assets

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

TOWNSHIP OF STAMBAUGH

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED MARCH 31, 2007

***Net (Expense) Revenue and Changes
in Net Assets***

Governmental Activities	Business-type Activities	Total
\$ (71,286)	\$ -	\$ (71,286)
(21,554)		(21,554)
(33,910)		(33,910)
(19,752)		(19,752)
(80,809)		(80,809)
(9,984)		
585		585
<u>(5,830)</u>		<u>(5,830)</u>
 \$ (242,540)	 \$ -	 \$ (242,540)
	(26,125)	(26,125)
	<u>1,263</u>	<u>1,263</u>
	 \$ (24,862)	 \$ (24,862)
 64,742	 -	 64,742
33,575		33,575
85,845		85,845
55,809	5,769	61,578
<u>6,885</u>		<u>6,885</u>
 <u>246,856</u>	 <u>5,769</u>	 <u>252,625</u>
 4,316	 (19,093)	 (14,777)
 <u>805,261</u>	 <u>166,668</u>	 <u>971,929</u>
 <u><u>\$ 809,577</u></u>	 <u><u>\$ 147,575</u></u>	 <u><u>\$ 957,152</u></u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

BALANCE SHEET - GOVERNMENTAL FUNDS

MARCH 31, 2007

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Investments (Note C)			
Unrestricted	\$ 598,399	\$ 1,579	\$ 599,978
Receivables:			
Taxes	4,947	-	4,947
Accounts Receivable	-	-	
Due from Other Funds	92,155	-	92,155
TOTAL ASSETS	<u>\$ 695,501</u>	<u>\$ 1,579</u>	<u>\$ 697,080</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accrued Taxes and Benefits	810	21	831
Deferred Revenue	17,101	-	17,101
Due to Other Funds	-	-	-
TOTAL LIABILITIES	<u>17,911</u>	<u>21</u>	<u>17,932</u>
<u>FUND BALANCES</u>			
Reserved for Liquor Law Enforcement		1,558	1,558
Unreserved and undesignated	677,590		677,590
TOTAL FUND BALANCES	<u>677,590</u>	<u>1,558</u>	<u>679,148</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 695,501</u>	<u>\$ 1,579</u>	<u>\$ 697,080</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

GOVERNMENTAL FUNDS

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

MARCH 31, 2007

Fund Balances - Total Governmental Funds	\$ 679,148
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities
are not financial resources and are not
reported in the funds.

The cost of capital assets is:	218,649
--------------------------------	---------

Accumulated depreciation is:	(88,220)
------------------------------	----------

Long term liabilities are not due and payable
in the current period and are not reported
in the funds:

Bonds Payable	-
---------------	---

Compensated Absences	-
----------------------	---

Other long term assets not available to pay
current period expenditures therefore
deferred in the funds

-

Total Net Assets - Governmental Activities	<u>\$ 809,577</u>
---	--------------------------

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

FISCAL YEAR ENDED MARCH 31, 2007

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUE</u>			
General Property taxes	\$ 64,742	\$ -	\$ 64,742
Other local taxes and fees	33,575		33,575
Use of money and property	56,234	-	56,234
Charges for services	3,376		3,376
Miscellaneous	6,886		6,886
Intergovernmental	<u>100,695</u>	<u>1,293</u>	<u>101,988</u>
TOTAL REVENUE	\$ 265,508	\$ 1,293	\$ 266,801
<u>EXPENDITURES</u>			
Current Operating:			
General government	73,912	-	73,912
Legislative	21,554		21,554
Township property	34,335		34,335
Public safety	19,500	1,545	21,045
Public works	95,659		95,659
Cemetery	9,984	-	9,984
Culture and recreation	165		165
Capital Outlay	2,900		2,900
Intergovernmental Payments	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	\$ 258,009	\$ 1,545	\$ 259,554
Excess (Deficiency) of Revenues Over Expenditures	7,499	(252)	7,247
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources(Uses)	-	-	-
Net Change in Fund Balances	7,499	(252)	7,247
FUND BALANCE - BEGINNING OF YEAR	<u>670,091</u>	<u>1,810</u>	<u>671,901</u>
FUND BALANCE - END OF YEAR	<u>\$ 677,590</u>	<u>\$ 1,558</u>	<u>\$ 679,148</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

GOVERNMENTAL FUNDS**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES***FISCAL YEAR ENDED MARCH 31, 2007*

Net Change in Fund Balances - Total Governmental Funds	\$ 7,247
---	-----------------

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in
the statement of activities, these costs are allocated over their
estimated useful lives as depreciation.

Depreciation Expense	(5,830)
Capital Outlay	<u>2,900</u>

Total	(2,930)
-------	---------

Differences due to the effect of rounding	(1)
---	-----

-

Accrued interest is recorded in the statement of activities when
incurred; it is not reported in governmental funds until paid

-

Repayment of bond principal is an expenditure in the governmental
funds, but not in the statement of activities (where it reduces
long term debt)

-

Increases Decreases in compensated absences are reported as
expenditures when financial resources are used in the governmental
funds in accordance with GASB Interpretation No. 6

-

Change in Net Assets of Governmental Activities	\$ 4,316
--	-----------------

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

STATEMENT OF FUND NET ASSETS - ENTERPRISE FUNDS

MARCH 31, 2007

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
Current Assets:			
Cash, Unrestricted	\$ (32,736)	\$ 1,822	\$ (30,914)
Receivables, Net			-
Accounts	15,366	147	15,513
Internal Balances			-
Total Current Assets	(17,370)	1,969	(15,401)
Noncurrent Assets:			
Restricted Cash			-
Capital Assets			
Buildings	33,107		33,107
Equipment	53,984		53,984
Infrastructure	273,731		273,731
Less:			
Allowance for depreciation	(138,757)		(138,757)
Total Capital Assets, Net	222,065	-	222,065
Total Noncurrent Assets	222,065	-	222,065
TOTAL ASSETS	\$ 204,695	\$ 1,969	\$ 206,664
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	-		-
Accrued Taxes and Benefits	6,657		6,657
Internal Balances	54,384	(1,952)	52,432
Deferred Revenue	-	-	-
Total Current Liabilities	61,041	(1,952)	59,089
Non-current Liabilities:			
Revenue Bonds Payable	-		-
Total Non-current Liabilities	-	-	-
TOTAL LIABILITIES	\$ 61,041	\$ (1,952)	\$ 59,089
<u>NET ASSETS</u>			
Invested in capital assets, net			
of related debt	222,065	-	222,065
Reserved for Utility Services	(78,411)	3,921	(74,490)
Unreserved	-	-	-
TOTAL NET ASSETS	\$ 143,654	\$ 3,921	\$ 147,575

The notes to the financial statements are an integral part of this return.

TOWNSHIP OF STAMBAUGH

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
ENTERPRISE FUNDS**

FISCAL YEAR ENDED MARCH 31, 2007

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 175,588	\$ 7,678	\$ 183,266
Miscellaneous	<u>3,157</u>	<u>-</u>	<u>3,157</u>
TOTAL OPERATING REVENUES	\$ 178,745	\$ 7,678	\$ 186,423
 <u>OPERATING EXPENSES</u>			
Personal Services and Benefits	54,913		54,913
Contractual Services	47,819	6,415	54,234
Repairs and Maintenance	-		-
Other Supplies and Expenses	82,092		82,092
Water Purchases	7,317		7,317
Depreciation	<u>12,729</u>	<u>-</u>	<u>12,729</u>
 TOTAL OPERATING EXPENSES	 \$ 204,870	 \$ 6,415	 \$ 211,285
 Operating Income (Loss)	 (26,125)	 1,263	 (24,862)
 Non-Operating Revenues (Expenses:)			
Interest and Investment Revenue	5,769		5,769
Interest Expense	<u>-</u>	<u>-</u>	<u>-</u>
 Total Non-Operating Revenues (Expenses)	 5,769	 -	 5,769
 Change in Net Assets	 (20,356)	 1,263	 (19,093)
 NET ASSETS, BEGINNING OF YEAR	 <u>164,010</u>	 <u>2,658</u>	 <u>166,668</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 143,654</u></u>	 <u><u>\$ 3,921</u></u>	 <u><u>\$ 147,575</u></u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

FISCAL YEAR ENDED MARCH 31, 2007

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
CASH FLOWS FROM (USED BY)			
<u>OPERATING ACTIVITIES</u>			
Net cash received from fees and services	\$ 171,960	\$ 8,321	\$ 180,281
Other operating revenues	3,157	-	3,157
Cash payments to employees for services	(53,447)	-	(53,447)
Cash payments to goods and services	(138,077)	(6,415)	(144,492)
Other operating expenses	-	-	-
	<hr/>	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	\$ (16,407)	\$ 1,906	\$ (14,501)
<u>NON CAPITAL AND FINANCING ACTIVITIES</u>			
(Increase) decrease in due from other funds		(8,321)	(8,321)
Increase (decrease) in due to other funds	8,321	6,415	14,736
Net operating transfers in (out)			-
	<hr/>	<hr/>	<hr/>
NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	\$ 8,321	\$ (1,906)	\$ 6,415
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Acquisition and construction of capital assets	(82,479)	-	(82,479)
Principal payment on long-term bonds	-	-	-
Interest paid on long-term bonds	-	-	-
Interest and tax expense	-	-	-
Proceeds from borrowings	-	-	-
Contributed capital grants	-	-	-
	<hr/>	<hr/>	<hr/>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (82,479)	\$ -	\$ (82,479)
<u>INVESTING ACTIVITIES</u>			
Interest Income	5,769	-	5,769
	<hr/>	<hr/>	<hr/>
NET CASH FROM INVESTING ACTIVITIES	\$ 5,769	\$ -	\$ 5,769
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(84,796)	-	(84,796)
Cash and Cash Equivalents, Beginning of Year	<hr/> 52,060	<hr/> 1,822	<hr/> 53,882
Cash and Cash Equivalents, End of Year	\$ (32,736)	\$ 1,822	\$ (30,914)

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

**STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2007

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Operating Income (Loss)	\$ (26,125)	\$ 1,263	\$ (24,862)
Adjustment to reconcile operating income to net cash provided by operating activities:			
. Depreciation	12,729	-	12,729
. Provision for uncollectible accounts			
. Changes in assets and liabilities :			
(Increase) Decrease in accounts receivable	(3,628)	643	(2,985)
Increase (Decrease) in accounts payable	(849)		(849)
Increase (Decrease) in deferred revenue	-	-	-
Increase (Decrease) in customer deposits	-		-
Increase (Decrease) in accrued benefits	1,466	-	1,466
NET CASH FROM OPERATING ACTIVITIES	<u>\$ (16,407)</u>	<u>\$ 1,906</u>	<u>\$ (14,501)</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2007

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 146,604</u>
TOTAL ASSETS	\$ 146,604
<u>LIABILITIES</u>	
Due to Other Funds	39,723
Due to Other Governmental Units	<u>106,881</u>
TOTAL LIABILITIES	146,604
NET ASSETS	<u>\$ -</u>

The notes to the financial statements are an integral part of this report.

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF STAMBAUGH

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the Township of Stambaugh, Caspian, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

THE FINANCIAL REPORTING ENTITY

The Township was organized in 1886 and covers an area of 1690 square miles. The Township operates under an elected board of commissioners (5 people) and provides services to its approximately 1186 residents in many areas, including law enforcement, general administration and utility services. In accordance with the provisions of GASB 34, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by GASB 34 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements. When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

There are no blended component units to be reported in the audited financial statements for the **Township of Stambaugh**.

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

West Iron County Fire Board

The West Iron County Fire Board was organized in 1987 and provides fire protection for Iron River, Bates, and Stambaugh Township, and the City of Iron River, Iron County, Michigan. The Board operates under an appointed Board of Commissioners (9 people) and provides fire protection services to more than 4500 residents.

The Board is funded by assessments from the participating municipalities.

Financial statements are available by writing to:

West Iron County Fire Board
P.O. Box 203
Iron River, Michigan 49935

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Iron County Volunteer Fire Department

The West Iron County Volunteer Fire Department was organized in 1987 and consists of volunteer fire fighters from the City of Iron River and the Townships of Bates, Iron River, and Sambaugh. The purpose of the organization is to preserve and protect all life and property as declared by the West Iron County Fire Board.

The officers, elected by a plurality of votes of members present at the annual meeting consist of a Chief, Assistant Chief, First Captain, Second Captain, Training Officer, and Secretary/Treasurer.

Complete financial statements of the West Iron County Volunteer Fire Department can be obtained from:

West Iron County Volunteer Fire Department
640 9th Street
Iron River, Michigan 49935

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS (Continued)

Stambaugh Cemetery Association

The Stambaugh Cemetery Association was established by the cities of Caspian, Gaastra, the former City of Stambaugh, and the Township of Stambaugh on February 17, 1975. The term of duration was designated to be thirty (30) years. (The City of Stambaugh terminated its participation in the Stambaugh Cemetery Association effective June 30, 2000).

The purpose of the Association is to acquire, own, improve, enlarge, extend, and operate a cemetery system for residents of the Constituent Municipalities.

The Association operates under a Board of Directors, consisting of two (2) persons appointed by each of the Constituent Municipalities' Controlling Boards, and is funded by assessments to each of its participating municipalities.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS (Continued)

Stambaugh Cemetery Association (Continued)

Financial statements can be obtained by request to:

Stambaugh Cemetery Association
P.O. Box 218
Gaastra, Michigan 49927

West Iron County Sewer Authority

The **Township of Stambaugh** entered into an agreement with several governmental entities to form the West Iron County Sewer Authority.

The Authority was established in August 1972 under the provisions of Act 233, Public Acts of Michigan, 1955, as amended, and was organized to provide sewer service to the cities of Iron River, Caspian, and Gaastra, and a portion of Iron River Township. The first grant applications were filed in 1982.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS
(Continued)

West Iron County Sewer Authority (Continued)

Members from each participating municipality are appointed by their respective governmental entities to serve on the Board of Trustees of the West Iron County Sewer Authority.

Pursuant to the terms of the Authority's Sewer Use Ordinances adopted by the Authority and each Constituent Municipality, the Authority bills each Constituent Municipality monthly based on such Constituent Municipality's percentage of Equal Dwelling Units ("EDUs") to the total member of EDUs for the entire system.

Billing to end users is done by each Constituent Municipality using its own billing system and methodology.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS
(Continued)

West Iron County Sewer Authority (Continued)

Under the EDU system, the Authority adopts a preliminary budget in April of each year for its next fiscal year beginning the following July 01.

This preliminary budget is presented to each Constituent Municipality for review and consideration in its budgeting process. Prior to adopting its final budget in June of each year for the fiscal year beginning the following July 01, the Authority holds a public hearing with respect to the preliminary budget.

The preliminary and final budgets calculated EDU charges to cover both operation, maintenance, and replacement ("OMR") expenses and debt retirement expenses.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS
(Continued)

West Iron County Sewer Authority (Continued)

Included in OMR charges are funds for future replacements of all major plant equipment.

During the fiscal year ended March 31, 2007, the **Township of Stambaugh** paid to the Authority fees totaling \$ 5,788 for OMR and debt retirement.

Financial statements for the West Iron County Sewer Authority can be requested by writing to:

West Iron County Sewer Authority
P.O. Box 246
Caspian, Michigan 49915

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to be reported.

BASIS OF PRESENTATION

The Township follows GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. GASB Statement No. 34 adds the following components to the financial statements:

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Statement of Net Assets (Continued)

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

Budgetary comparison schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public.

Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary governmental entities for which the government is considered to be financially accountable.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS**

The basic financial statements include both government-wide (based on the Township as a whole) and fund financial statements. The reporting model focus is on both the Township as a whole and the fund financial statements, including the major individual funds of governmental and business-type categories, as well as the fiduciary funds, (by category).

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

Both governmental-wide and fund financial statements presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The Township generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Township may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, culture and recreation, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The program revenues must be directly associated with the function (public safety, public works, culture and recreation, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Township does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

In the fund financial statements, financial transactions and accounts of the Township are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The Township's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

The various funds are grouped, in the financial statements in this report, into several broad categories as follows:

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Funds, are accounted for through the Governmental Funds.

These funds are as follows:

General Fund

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Continued)

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

For reporting purposes, the General Fund is always considered to be a major fund.

Special Revenue Fund

This fund is used to account for specific governmental revenues (other than special assessments) requiring separate accounting because of legal or regulatory provisions or administrative action. The *Liquor Law Enforcement Fund* is a Special Revenue Fund.

It is a non-major fund for reporting purposes.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises---where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose. The Township's Water and Sewer Funds are Enterprise Funds.

FIDUCIARY FUNDS

Trust and Agency funds are used to account for assets held in trust or as an agent for others.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS (Continued)

Agency funds are custodial in nature and do not involve measurement of results of operation. The Township's current tax collection fund is an agency fund. The fund uses the modified accrual basis of accounting.

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The government-wide statement of net assets and statement of activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increase (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, financial statement of proprietary funds and fiduciary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The fund financial statements of the general and special revenue funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

ENCUMBRANCES

It is the Township's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

CASH AND CASH EQUIVALENTS

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Township classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the general and special revenue funds. User charges for the proprietary funds are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year-end have been recorded as inter-fund accounts receivable and payable. These inter-fund receivables and payables do not represent Board-approved loans between funds.

INVENTORIES

Inventories of supplies are expended as received.

DEFERRED REVENUE

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 01. The operating budget includes proposed expenditures and the means of financing them.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**BUDGETS AND BUDGETARY ACCOUNTING
(Continued)**

2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 01, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES

The full time Township employee receives 80 hours of sick time each year. These can be accumulated up to 240 hours. He also receives 80 hours vacation each year. There is currently no limit to the amount which can be accumulated.

At March 31, 2007, the accumulated liability for compensated absences, plus the related costs of FICA and Medicare, is \$5,581.

POST-EMPLOYMENT BENEFITS

The Township offers no post-employment benefits.

FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY (Continued)

Designated fund balances represent amounts earmarked by the Township for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Township for future expenses.

PROPERTY TAX

The delinquent real property taxes of the **Township of Stambaugh** are purchased by the County of Iron.

The Township's property taxes are levied and become a lien on each December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX (Continued)

These taxes are due on February 14th with the final collection date of February 28th before they are added to the county delinquent tax rolls. Although the Township's ad valorem tax is levied and collectible on December 1st, it is the Township's policy to recognize revenue from the current tax levy in the fiscal year for which they have been levied and became available. The Township has a taxable valuation of \$61,268,791, on which ad valorem taxes levied consisted of 1.0569 mills for the Township operating purposes.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

NON-MONETARY TRANSACTIONS

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

CAPITAL ASSETS

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds (when applicable) and as assets in the governmental-wide statements to the extent the Township's capitalization threshold of \$ 500 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings.....20 - 30 years

Infrastructure..... 10 – 65 years

Furniture and Other

Equipment..... 5 - 20 years

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

To the extent the Township's capitalization threshold of \$500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

Land Improvements..... 20 years

Equipment.....5 - 20 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, is eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

NOTE B – INTER-FUND ACTIVITIES

INTER-FUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables generally do not represent inter-fund borrowings; instead, they generally represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE B – INTER-FUND ACTIVITIES (CONTINUED)

INTER-FUND RECEIVABLES AND PAYABLES
(Continued)

The amounts of inter-fund receivables and payables as of March 31, 2007 were as follows:

<u>FUND</u>	<u>INTER-FUND RECEIVABLE</u>	<u>FUND</u>	<u>INTER-FUND PAYABLE</u>
	\$	Tax	\$ 39723
General	92155	Water Fund	54384
Sewer Fund	<u>8367</u>	Sewer Fund	<u>6415</u>
Total	\$ <u><u>100522</u></u>		\$ <u><u>100522</u></u>

The General Fund is due funds from the tax fund representing current tax monies collected for the General Fund but undistributed as of March 31, 2007. The General Fund also reflects a receivable from the Water Fund from a loan made several years ago. There is also monies due the Sewer Fund from the Water Fund from operating activities.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE B - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

OPERATING TRANSFERS

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the fiscal year ended March 31, 2007, the Township did not have any transfers.

OTHER FINANCING SOURCES (USES)

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case they are carried as assets and liabilities of the advancing or borrowing funds.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

PRIMARY GOVERNMENT

On March 31, 2007, the carrying value of the Township's deposits (Primary Government) was \$ 715,668 and is comprised of cash and deposits reflected in the following funds:

<i>Governmental Funds</i>	
General Fund	\$ 598399
Liquor Law Enforcement Fund	<u>1579</u>
<i>Total Governmental Funds</i>	599978
<i>Enterprise Funds</i>	
Water Fund	(32736)
Sewer Fund	<u>1822</u>
<i>Total Enterprise Funds</i>	(30914)
<i>Fiduciary Funds</i>	
Tax Collection Fund	<u>146604</u>
<i>Total Fiduciary Funds</i>	146604
TOTAL PRIMARY GOVERNMENT	\$ 715668

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the local unit's cash deposits are categorized at three basic levels of risk.

These three levels of risk are as follows:

Category 1

Deposits which are insured or collateralized with securities held by the Township or its agent in the Township's name.

Category 2

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Category 3

Deposits which are not collateralized or insured.

Based on these three levels of risk, the Township's cash deposits are classified as follows:

<u>Primary Government</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>
Cash and Deposits	\$ 100000	\$ -0-	\$ 615668	\$ 715668

INVESTMENTS

The Township's investments are categorized below to give an indication of the level of risk assumed at year-end. **Category 1** includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Township's name.

Category 3 includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Township's name.

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
None	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Total Investments	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Township to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The Township's investments are in accordance with its investment policy and with statutory authority.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE D - PENSION PLAN

DESCRIPTION OF PLAN AND PLAN ASSETS

The **Township of Stambaugh** is an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty-connected death and postretirement adjustments to plan members and their beneficiaries.

The service retirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was organized pursuant to Section 12a of Act#156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE D - PENSION PLAN (CONTINUED)

DESCRIPTION OF PLAN AND PLAN ASSETS
(Continued)

MERS is regulated under ACT No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information by writing to:

MERS
447 North Canal Street
Lansing, Michigan 48917-9755

FUNDING POLICY

The obligation to contribute to and maintain the system for these employees was established by personnel policy, which does not require employees to contribute to the plan. The Township is required to contribute at an actuarially determined rate; the current rate was 6.47 percent at December 31, 2005.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE D - PENSION PLAN (CONTINUED)

ANNUAL PENSION COST

During the fiscal year ended March 31, 2007, the Township's contributions totaling \$ 2,582 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2005.

The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years.

The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE D - PENSION PLAN (CONTINUED)

ANNUAL PENSION COST (Continued)

Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on age-related scale to reflect merit, longevity, and promotional salary increases.

GASB 25 AND GASB 27 INFORMATION

The following information has been prepared to provide the information necessary to comply with GASB Statements 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1997.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE D - PENSION PLAN (CONTINUED)

GASB 25 AND GASB 27 INFORMATION (Continued)

All entries are based on the actuarial methods and assumption that are used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/05)

<u>Actuarial Accrued Liability</u>	
Retirees and beneficiaries currently receiving benefits	\$ 52323
Terminated employees not yet receiving benefits	0

(Continued on page 85)

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE D - PENSION PLAN (CONTINUED)

GASB 25 AND GASB 27 INFORMATION (Continued)

GASB 25 INFORMATION (as of 12/31/05)

<u>Actuarial Accrued Liability</u>		
Current employees -	\$	
Accumulated employee contributions including allocated investment income		9795
Employer financed		18932
 Total Actuarial Accrued Liability		 81050
 Net Assets Available for Benefits at Actuarial Value (Market Value is \$ 55,488)		 _____ 56990
 Unfunded (Over-funded) Actuarial Accrued Liability	\$	 24060

GASB 27 INFORMATION (as of 12/31/05)

Fiscal Year Beginning	April 01, 2007
Annual Required Contribution (ARC)	\$ 2472
Amortization Factor Used	0.053632

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18(1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated. The **Township of Stambaugh's** actual expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the **Township of Stambaugh** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as financial statements.

There were no budget violations for the 2006-2007 fiscal year.

NOTE F - ACCUMULATED FUND DEFICITS

At March 31, 2007, the Township had no fund balance/retained earnings deficit in any fund.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

NOTE H - CAPITAL ASSETS

The following is a summary of changes in capital for the fiscal year ended March 31, 2007:

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE H - CAPITAL ASSETS (CONTINUED)

<u>GOVERNMENTAL ACTIVITIES</u>	<u>March 31, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>March 31, 2007</u>
<u>Capital Assets Not Being Depreciated</u>				
Land and Land Improvements	\$ 10000	\$ 0	\$ 0	\$ 10000
Total Capital Assets Not Being Depreciated	\$ 10000	\$ 0	\$ 0	10000
<u>Other Capital Assets</u>				
Buildings and Improvements	166452	2900	0	169352
Furniture and Other Equipment	<u>39297</u>	<u>0</u>	<u>0</u>	<u>39297</u>
Total Other Capital Assets	\$ 205749	\$ 2900	\$ 0	\$ 208649
<u>Less Accumulated Depreciation for:</u>				
Buildings	(48271)	(3402)	0	(51673)
Furniture and Other Equipment	<u>(34119)</u>	<u>(2428)</u>	<u>0</u>	<u>(36547)</u>
Total Accumulated Depreciation	(82390)	(5830)	0	(88220)
Other Capital Assets, Net	123359	(2930)	0	120429
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>133359</u>	\$ <u>(2930)</u>	\$ <u>0</u>	\$ <u>130429</u>

Depreciation was charged to governmental functions as unallocated.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended March 31, 2007:

	<u>Balance March 31, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance March 31, 2007</u>
<u>BUSINESS-TYPE ACTIVITIES</u>				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<u>Other Capital Assets</u>				
Buildings	33107	-0-	-0-	33107
Machinery and Equipment	43679	10304	-0-	53983
Water Mains/Lines	<u>201556</u>	<u>72176</u>	<u>-0-</u>	<u>273732</u>
Total Capital Assets	\$ 278342	\$ 82480	\$ -0-	\$ 360822

(Continued on page 89)

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES (Continued)

(Continued from previous page)

	Balance March 31, <u>2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance March 31, <u>2007</u>
Less Accumulated <u>Depreciation for:</u>				
Buildings	\$ (32077)	\$ (29)	\$ 0	\$ (32106)
Machinery and Equipment	(29218)	(6181)	0	(35399)
Water Mains/Lines	<u>(64733)</u>	<u>(6519)</u>	<u>0</u>	<u>(71252)</u>
Total Accumulated Depreciation	<u>(126028)</u>	<u>(12729)</u>	<u>0</u>	<u>(138757)</u>
TOTAL BUSINESS- TYPE ACTIVITIES	\$ <u>152314</u>	\$ <u>69751</u>	\$ <u>0</u>	\$ <u>222065</u>

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE I - LONG-TERM DEBT

There is no long-term debt for the Township at fiscal year ended March 31, 2007.

NOTE J - SEGMENT INFORMATION - Enterprise Fund

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues	\$ 175588	\$ 7678	\$ 183266
Depreciation and Amortization Expense	12729	-0-	12729
Operating Income or (Loss)	(26125)	1263	(24862)
Operating Grants, Entitlements, and Shared Revenues	-0-	-0-	-0-
Operating Transfers:			
In	-0-	-0-	-0-
(Out)	-0-	-0-	-0-
Tax Revenues	-0-	-0-	-0-
Net Income or Loss	(20356)	1263	(19093)

(Continued on page 92)

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE J - SEGMENT INFORMATION - Enterprise Fund (CONTINUED)

(Continued from previous page)

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Current Capital:	\$	\$	\$
Contributions	-0-	-0-	-0-
Transfers	-0-	-0-	-0-
Property, Plant, and Equipment			
Additions	82480	-0-	82480
Deletions	-0-	-0-	-0-
Net Working Capital	(78411)	3921	(74490)
Total Assets	204695	10336	215031
Bonds and Other Long-Term			
Liabilities	-0-	-0-	-0-
Payable from Operating Revenues	61041	6415	67456
Payable from Other Sources	-0-	-0-	-0-
Total Equity	143654	3921	147575

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE K - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there were no related party transactions reported in the financial statements.

TOWNSHIP OF STAMBAUGH

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2007

NOTE L - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure.

They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended March 31, 2007, there were no subsequent events that would have a significant affect on the Township's operations.

NOTE M - COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies to be reported for the **Township of Stambaugh** for the fiscal year ended March 31, 2007.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF STAMBAUGH

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FISCAL YEAR ENDED MARCH 31, 2007

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
General property taxes	\$ -	\$ -	\$ 64,742
Other local taxes / administration fees	20,000	20,000	33,575
Licenses, permits, and fees	1,800	1,800	2,626
Use of money and property	1,600	1,600	56,234
Miscellaneous	8,750	8,750	7,636
Federal Source Revenue	-	-	10,104
State Grants and Distributions	<u>75,000</u>	<u>75,000</u>	<u>90,591</u>
TOTAL REVENUE	107,150	107,150	265,508
<u>EXPENDITURES</u>			
General government	90,269	90,269	73,912
Legislative	46,700	46,700	21,554
Township property	35,000	35,000	34,335
Public Works	150,000	150,000	95,659
Cemetery	12,000	12,000	9,984
Public Safety	20,000	20,000	19,500
Recreation and Culture	1,200	1,200	165
Capital Outlay	<u>2,900</u>	<u>2,900</u>	<u>2,900</u>
TOTAL EXPENDITURES	358,069	358,069	258,009
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCE	(250,919)	(250,919)	7,499
FUND BALANCE, APRIL 01	<u>670,091</u>	<u>670,091</u>	<u>670,091</u>
FUND BALANCE, MARCH 31	<u><u>\$ 419,172</u></u>	<u><u>\$ 419,172</u></u>	<u><u>\$ 677,590</u></u>

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF STAMBAUGH

BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUND

MARCH 31, 2007

	<u>Liquor Law Enforcement Fund</u>
<u>ASSETS</u>	
Cash and Investments (Note C)	<u>\$ 1,579</u>
TOTAL ASSETS	\$ 1,579
<u>LIABILITIES</u>	
Accrued Benefits	<u>21</u>
TOTAL LIABILITIES	\$ 21
<u>FUND BALANCE</u>	
Reserved for Liquor Law Enforcement	<u>1,558</u>
TOTAL FUND BALANCE	\$ 1,558

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUND

FISCAL YEAR ENDED MARCH 31, 2007

	<u>Liquor Law Enforcement Fund</u>
<u>REVENUE</u>	
Intergovernmental	<u>\$ 1,293</u>
TOTAL REVENUE	\$ 1,293
<u>EXPENDITURES</u>	
Current	
Public safety	<u>1,545</u>
TOTAL EXPENDITURES	\$ 1,545
Excess (Deficiency) of Revenues Over Expenditures	(252)
FUND BALANCE - BEGINNING OF YEAR	<u>1,810</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,558</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

COMBINING BALANCE SHEET - ALL PROPRIETARY FUND TYPES

MARCH 31, 2007

<u>ASSETS</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
Cash and Deposits	\$ (32,736)	\$ 1,822	\$ (30,914)
Accounts Receivable	15,366	147	15,513
Due from Other Funds	-	8,367	8,367
Buildings & Equipment	360,822	-	360,822
Accumulated Depreciation	<u>(138,757)</u>	<u>-</u>	<u>(138,757)</u>
TOTAL ASSETS	<u>\$204,695</u>	<u>\$ 10,336</u>	<u>\$215,031</u>
<u>LIABILITIES & FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts Payable	-	-	-
Accrued Taxes and Benefits	6,657	-	6,657
Due to Other Funds	<u>54,384</u>	<u>6,415</u>	<u>60,799</u>
TOTAL LIABILITIES	\$ 61,041	\$ 6,415	\$ 67,456
<u>FUND EQUITY</u>			
Retained Earnings	<u>143,654</u>	<u>3,921</u>	<u>147,575</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$204,695</u>	<u>\$ 3,921</u>	<u>\$215,031</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES

FISCAL YEAR ENDED MARCH 31, 2007

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 175,588	\$ 7,678	\$183,266
Other Revenue	<u>3,157</u>	<u>-</u>	<u>3,157</u>
TOTAL OPERATING REVENUES	\$ 178,745	\$ 7,678	\$186,423
<u>OPERATING EXPENSES</u>			
Salaries	35,826		35,826
Fringe Benefits	19,087		19,087
Contract Services	47,819	6,415	54,234
Office Supplies and Postage	4,319		4,319
Supplies	32,235		32,235
Utilities	14,894		14,894
Repairs & Maintenance	-		-
Equipment Rental	23,168		23,168
Truck Expenses	5,427		5,427
Water Purchases	7,317		7,317
Depreciation	12,729		12,729
Miscellaneous Fees and Other	<u>2,049</u>		<u>2,049</u>
TOTAL OPERATING EXPENSES	\$ 204,870	\$ 6,415	\$211,285
Operating Income (Loss)	(26,125)	1,263	(24,862)
<u>NON-OPERATING INCOME</u>			
Interest Income	<u>5,769</u>	<u>-</u>	<u>5,769</u>
Net Income (Loss)	(20,356)	1,263	(19,093)
RETAINED EARNINGS, APRIL 1	<u>164,010</u>	<u>2,658</u>	<u>166,668</u>
RETAINED EARNINGS, MARCH 31	<u>\$ 143,654</u>	<u>\$ 3,921</u>	<u>\$147,575</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

BALANCE SHEET - GENERAL FUND

MARCH 31, 2007

ASSETS

Cash and Deposits	\$598,399
Taxes Receivable	4,947
Due from Other Funds	<u>92,155</u>
TOTAL ASSETS	<u>\$695,501</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accrued Taxes	810
Deferred Revenue	<u>17,101</u>
TOTAL LIABILITIES	17,911

FUND EQUITY

Fund Balance - Unreserved	<u>677,590</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$695,501</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

**STATEMENT OF REVENUES – GENERAL FUND
ACTUAL AND BUDGET**

FISCAL YEAR ENDED MARCH 31, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
<u>Taxes</u>			
Property Taxes	\$ 64,742	\$ -	\$ 64,742
Penalties and Interest on Taxes	3,217	-	3,217
Administration Fees	19,167	10,000	9,167
Commercial Forest / Swamp Tax	<u>11,191</u>	<u>10,000</u>	<u>1,191</u>
Total Taxes	98,317	20,000	\$ 78,317
<u>Federal Sources</u>			
Schools and Roads Grant	<u>10,104</u>	<u>-</u>	<u>10,104</u>
Total Federal Sources	10,104	-	10,104
<u>State Shared Receipts</u>			
Sales Tax	85,845	75,000	10,845
Annual Maintenance Fee	<u>4,746</u>	<u>-</u>	<u>4,746</u>
Total State Shared Receipts	90,591	75,000	15,591
<u>Rental</u>			
Hall	<u>425</u>	<u>600</u>	<u>(175)</u>
Total Rental	425	600	(175)
<u>Other Revenue</u>			
Building Permits / Zoning Fees	2,626	1,800	826
Parks and Recreation	750	-	750
Miscellaneous	<u>6,886</u>	<u>8,750</u>	<u>(1,864)</u>
Total Other Revenue	10,262	10,550	(288)
<u>Interest</u>	55,809	1,000	54,809
TOTAL REVENUE	<u>\$265,508</u>	<u>\$107,150</u>	<u>\$158,358</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

STATEMENT OF EXPENDITURES – GENERAL FUND

ACTUAL AND BUDGET

FISCAL YEAR ENDED MARCH 31, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>LEGISLATIVE</u>			
Township Board			
Salaries	\$ 4,355	\$ -	\$ -
Fringe Benefits	333		
Printing and Publishing	286		
Supplies	514	-	-
Mileage	47		
Legal Services	6,929		
Accounting	1,577	-	-
Donations	1,159		
Dues	1,063		
Street Lighting	865	-	-
Contract Services	2,349		
Miscellaneous	2,077		
	<u>21,554</u>	<u>46,700</u>	<u>25,146</u>
Total Township Board	21,554	46,700	25,146
TOTAL LEGISLATIVE	21,554	46,700	25,146
<u>GENERAL GOVERNMENT</u>			
Supervisor			
Salaries	11,141	-	-
Fringe Benefits	853		
Supplies	100	-	-
Mileage	722		
	<u>12,816</u>	<u>13,000</u>	<u>184</u>
Total Supervisor	12,816	13,000	184
Assessor			
Salaries	9,819	-	-
Fringe Benefits	751		
Supplies and Mileage	585		
	<u>11,155</u>	<u>15,000</u>	<u>3,845</u>
Total Assessor	11,155	15,000	3,845
Elections			
Salaries	1,265	-	-
Supplies	567		
Printing and Publishing	125		
	<u>1,957</u>	<u>5,000</u>	<u>3,043</u>
Total Elections	1,957	5,000	3,043
Clerk			
Salaries	13,984	-	-
Fringe Benefits	1,070		
Supplies	348	-	-
Mileage	1,112		
	<u>16,514</u>	<u>18,000</u>	<u>1,486</u>
Total Clerk	\$ 16,514	\$ 18,000	\$ 1,486

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

**STATEMENT OF EXPENDITURES – GENERAL FUND
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>GENERAL GOVERNMENT (Continued)</u>			
Treasurer			
Salaries	\$ 17,886	\$ -	\$ -
Fringe Benefits	1,368		
Supplies	1,894	-	-
Tax Collection Expense	4,655		
Printing and Publishing	-	-	-
Total Treasurer	25,803	32,000	6,197
 Board of Review			
Salaries	835	-	-
Fringe Benefits	64		
Total Board of Review	899	1,000	101
 Compensation Commission			
Salaries	250	-	-
Fringe Benefits	19		
Total Compensation Commission	269	269	-
 Zoning Board			
Salaries	3,541	-	-
Fringe Benefits	271		
Publishing/Printing	324	-	-
Supplies	25		
Mileage	338		
Total Zoning Board	4,499	6,000	1,501
 TOTAL GENERAL GOVERNMENT	\$ 73,912	\$ 90,269	\$ 16,357

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

**STATEMENT OF EXPENDITURES – GENERAL FUND
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>TOWNSHIP PROPERTY</u>			
Township Hall			
Salaries	\$ 7,631	\$ -	\$ -
Fringe Benefits	584		
Supplies	2,002	-	-
Repairs and Maintenance	1,808		
Utilities	1,869		
Contracted Services	6,330	-	-
Insurance	11,903		
Telephone	2,208		
	<u>34,335</u>	<u>35,000</u>	<u>665</u>
Total Township Hall	34,335	35,000	665
TOTAL TOWNSHIP PROPERTY	\$ 34,335	\$ 35,000	\$ 665
 <u>CEMETERY</u>			
Contracted Services	\$ 9,984	\$ -	\$ -
TOTAL CEMETERY	9,984	12,000	2,016
 <u>PUBLIC WORKS</u>			
Supplies	160		
Contract Services	95,499		
TOTAL PUBLIC WORKS	95,659	150,000	54,341
 <u>PUBLIC SAFETY</u>			
Fire Protection	19,500	-	-
TOTAL PUBLIC SAFETY	19,500	20,000	500
 <u>RECREATION & CULTURE</u>			
Holmes Park	165		
TOTAL RECREATION & CULTURE	165	1,200	1,035
 CAPITAL OUTLAY	2,900	2,900	-
TOTAL EXPENDITURES	<u>\$258,009</u>	<u>\$358,069</u>	<u>\$ 100,060</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

BALANCE SHEET - LIQUOR LAW ENFORCEMENT FUND

MARCH 31, 2007

ASSETS

Cash and Deposits	<u>\$ 1,579</u>
-------------------	-----------------

TOTAL ASSETS	<u>\$ 1,579</u>
---------------------	------------------------

LIABILITIES AND FUND EQUITY

LIABILITIES

Accrued Benefits	21
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FUND EQUITY

Fund Balance - Reserved for Liquor Law Enforcement	<u>1,558</u>
--	--------------

TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,579</u>
--	------------------------

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY – LIQUOR
LAW ENFORCEMENT FUND
ACTUAL AND BUDGET**

FISCAL YEAR ENDED MARCH 31, 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
<u>State Sources</u>			
Grant	\$ 1,293	\$ 1,678	\$ (385)
TOTAL REVENUES	1,293	1,678	(385)
<u>EXPENDITURES</u>			
<u>Public Safety</u>			
Salaries	1,435	-	-
Fringe Benefits	110		
Supplies	-	-	-
TOTAL EXPENDITURES	1,545	1,834	289
Excess of Revenues Over (Under) Expenditures	(252)	(156)	(96)
Other Financing Sources (Uses) Operating Transfers In	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(252)	(156)	(96)
FUND EQUITY, APRIL 1	1,810		
FUND EQUITY, MARCH 31	<u>\$ 1,558</u>		

The notes to the financial statements are an integral part of this report

TOWNSHIP OF STAMBAUGH

BALANCE SHEET - WATER FUND*MARCH 31, 2007***ASSETS**

Cash and Deposits	\$ (32,736)
Accounts Receivable	15,366
Due from Other Funds	-
Buildings & Equipment	360,822
Accumulated Depreciation	<u>(138,757)</u>

TOTAL ASSETS	<u>\$ 204,695</u>
---------------------	--------------------------

LIABILITIES & FUND EQUITY**LIABILITIES**

Accounts Payable	-
Accrued Payroll Taxes	1,076
Accrued Benefits	5,581
Due to Other Funds	<u>54,384</u>

TOTAL LIABILITIES	\$ 61,041
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FUND EQUITY

Retained Earnings	<u>143,654</u>
-------------------	----------------

TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 204,695</u>
--	--------------------------

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN RETAINED EARNINGS -
WATER FUND**

FISCAL YEAR ENDED MARCH 31, 2007

OPERATING REVENUES

Charges for Services	\$ 175,588
Other Revenue	<u>3,157</u>

TOTAL OPERATING REVENUES	\$ 178,745
---------------------------------	-------------------

OPERATING EXPENSES

Salaries	35,826
Fringe Benefits	19,087
Contract Services	47,819
Office Supplies and Postage	4,319
Supplies	32,235
Utilities	14,894
Repairs & Maintenance	-
Equipment Rental	23,168
Truck Expenses	5,427
Water Purchases	7,317
Depreciation	12,729
Miscellaneous Fees and Other Expenses	<u>2,049</u>

TOTAL OPERATING EXPENSES	\$ 204,870
---------------------------------	-------------------

Operating Income (Loss)	(26,125)
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NON-OPERATING INCOME

Interest Income	<u>5,769</u>
-----------------	--------------

Net Income (Loss)	(20,356)
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RETAINED EARNINGS, APRIL 1	<u>164,010</u>
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RETAINED EARNINGS, MARCH 31	<u><u>\$ 143,654</u></u>
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The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

STATEMENT OF CASH FLOWS – WATER FUND

FISCAL YEAR ENDED MARCH 31, 2007

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 171,960
Other operating revenues	3,157
Cash payments to employees for services	(53,447)
Cash payments to goods and services	(138,077)
Other operating expenses	-
	-

NET CASH FROM OPERATING ACTIVITIES	\$ (16,407)
---	--------------------

NON CAPITAL AND FINANCING ACTIVITIES

(Increase) decrease in due from other funds	-
Increase (decrease) in due to other funds	8,321
Net operating transfers in (out)	-
	-

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	\$ 8,321
---	-----------------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(82,479)
Principal payment on long-term bonds	-
Interest paid on long-term bonds	-
Interest and tax expense	-
Proceeds from borrowings	-
Contributed capital grants	-
	-

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (82,479)
--	--------------------

INVESTING ACTIVITIES

Interest Income	5,769
	5,769

NET CASH FROM INVESTING ACTIVITIES	\$ 5,769
---	-----------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(84,796)
---	----------

Cash and Cash Equivalents, Beginning of Year	52,060
--	--------

Cash and Cash Equivalents, End of Year	\$ (32,736)
---	--------------------

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

**STATEMENT OF CASH FLOWS - WATER FUND
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2007

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Operating Income (Loss)	\$ (26,125)
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	12,729
. Provision for uncollectible accounts	
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	(3,628)
Increase (Decrease) in accounts payable	(849)
Increase (Decrease) in deferred revenue	-
Increase (Decrease) in customer deposits	-
Increase (Decrease) in accrued benefits	1,466
	<hr/>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ (16,407)</u></u>

The notes to the financial statements are an integral part of this return.

TOWNSHIP OF STAMBAUGH

BALANCE SHEET - SEWER FUND*MARCH 31, 2007***ASSETS**

Cash and Deposits	\$ 1,822
Accounts Receivable	147
Due from Other Funds	<u>8,367</u>
TOTAL ASSETS	<u><u>10,336</u></u>

LIABILITIES AND FUND EQUITY**LIABILITIES**

Due to Other Funds	<u>6,415</u>
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TOTAL LIABILITIES	6,415
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FUND EQUITY

Retained Earnings	<u>3921</u>
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TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 3921</u></u>
--	------------------------------

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN RETAINED EARNINGS -
SEWER FUND**

FISCAL YEAR ENDED MARCH 31, 2007

OPERATING REVENUES

Charges for Services	<u>\$ 7,678</u>
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TOTAL OPERATING REVENUES	\$ 7,678
---------------------------------	-----------------

OPERATING EXPENSES

Contract Services	<u>6,415</u>
-------------------	--------------

TOTAL OPERATING EXPENSES	\$ 6,415
---------------------------------	-----------------

Operating Income (Loss)	1,263
-------------------------	-------

NON-OPERATING INCOME

Interest Income	<u>-</u>
-----------------	----------

Net Income (Loss)	1,263
-------------------	-------

RETAINED EARNINGS, APRIL 1	<u>2,658</u>
-----------------------------------	--------------

RETAINED EARNINGS, MARCH 31	<u>\$ 3,921</u>
------------------------------------	------------------------

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

STATEMENT OF CASH FLOWS - SEWER FUND

FISCAL YEAR ENDED MARCH 31, 2007

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 8,321
Other operating revenues	-
Cash payments to employees for services	-
Cash payments to goods and services	(6,415)
Other operating expenses	-
	-

NET CASH FROM OPERATING ACTIVITIES	\$ 1,906
---	-----------------

NON CAPITAL AND FINANCING ACTIVITIES

(Increase) decrease in due from other funds	(8,321)
Increase (decrease) in due to other funds	6,415
Net operating transfers in (out)	-
	-

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	\$ (1,906)
---	-------------------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	-
Principal payment on long-term bonds	-
Interest paid on long-term bonds	-
Interest and tax expense	-
Proceeds from borrowings	-
Contributed capital grants	-
	-

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ -
--	-------------

INVESTING ACTIVITIES

Interest Income	-
	-

NET CASH FROM INVESTING ACTIVITIES	\$ -
---	-------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
--	---

Cash and Cash Equivalents, Beginning of Year	1,822
--	-------

Cash and Cash Equivalents, End of Year	\$ 1,822
---	-----------------

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

**STATEMENT OF CASH FLOWS - SEWER FUND
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2007

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Operating Income (Loss)	\$	1,263
Adjustment to reconcile operating income to net cash provided by operating activities:		
. Depreciation		-
. Provision for uncollectible accounts		-
. Changes in assets and liabilities :		
(Increase) Decrease in accounts receivable		643
Increase (Decrease) in accounts payable		-
Increase (Decrease) in deferred revenue		-
Increase (Decrease) in customer deposits		-
Increase (Decrease) in accrued benefits		-
		<hr/>
NET CASH FROM OPERATING ACTIVITIES	\$	<u>1,906</u>

The notes to the financial statements are an integral part of this report.

TOWNSHIP OF STAMBAUGH

STATEMENT OF ASSETS AND LIABILITIES - TRUST AND AGENCY FUND

FISCAL YEAR ENDED MARCH 31, 2007

	<u>BALANCE</u> <u>3/31/2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>3/31/2007</u>
ASSETS				
Cash	\$ 133,171	\$2,197,760	\$ 2,184,327	\$ 146,604
TOTAL ASSETS	<u>\$ 133,171</u>	<u>\$2,197,760</u>	<u>\$ 2,184,327</u>	<u>\$ 146,604</u>
LIABILITIES				
Due to General Fund	29,101	120,644	110,022	39,723
Due to County	34,184	1,033,556	1,019,666	48,074
Due to Schools	30,167	974,536	969,141	35,562
Due to Other		174	174	-
Due to State of Michigan	36,113	-	36,113	
Due to Library	3,606	50,687	49,211	5,082
Commercial Forest - Unallocated	-	18,163	-	18,163
TOTAL LIABILITIES	<u>\$ 133,171</u>	<u>\$2,197,760</u>	<u>\$ 2,184,327</u>	<u>\$ 146,604</u>

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

DS Rostagno, CPA, P.C.

*101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Supervisor and Township Board
Township of Stambaugh
Caspian, Michigan 49915

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the **Township of Stambaugh**, Caspian, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the **Township of Stambaugh**, Caspian, Michigan's basic financial statements, and have issued our report thereon dated June 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Township of Stambaugh**, Caspian, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Township of Stambaugh**, Caspian, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **Township of Stambaugh**, Caspian, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **Township of Stambaugh**, Caspian, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the **Township of Stambaugh**, Caspian, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the **Township of Stambaugh**, Caspian, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **Township of Stambaugh**, Caspian, Michigan's internal control.

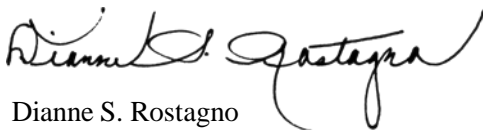
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Township of Stambaugh**, Caspian, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the **Township of Stambaugh**, Caspian, Michigan in a separate letter dated June 18, 2007.

This report is intended solely for the information and use of management, the Board of Trustees, and federal awarding agencies and pass-through entities, and it is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with the first name "Dianne" being more prominent.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

June 18, 2007

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Honorable Supervisor and Township Board
Township of Stambaugh
Caspian, Michigan 49915

In planning and performing the audit of the financial statements of the **Township of Stambaugh**, we considered the Township's internal control structure to plan the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated June 18, 2007 on the financial statements of the **Township of Stambaugh**. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with Township officials, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. Our comments are summarized as follows:

**** Problem**

Public Act 196 of 1997 requires that the Township adopt a formal investment policy for Township investment of surplus funds.

Recommendation

In conjunction with our previous audit, we recommended that the Township adopt a formal investment policy in accordance with statutory provisions as provided in P.A. 196 of 1997.

Resolution

This has been satisfactorily resolved.

CHART OF ACCOUNTS

****Problem**

The State of Michigan has established a uniform chart of accounts to be used by all municipalities in the State of Michigan. The Township's financial statement format does not fully comply with the State's requirements.

Recommendation

It is recommended that the Township review its financial statement format, and correct the account designations as required. Every expenditure must fall under the correct departmental heading.

CASH

****Problem**

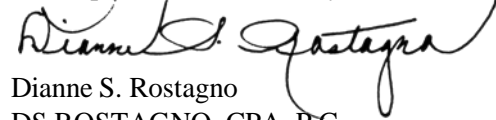
During the audit, we noted that bank statements were not reconciled to the general ledger. Although differences were noted on the bank statements, the sources of these differences were never successfully determined. It was deemed to have been an on-going problem with the utility billing software. However, as a result, bank deposits for an entire month were not recorded in the general ledger, and the error was not detected.

Recommendation

The utility billing program malfunction should be corrected. It is further recommended that, in order to isolate the problem and to provide for a system of checks and balances for the general fund and the liquor law enforcement fund, the utility funds should utilize a bank account separate from the other funds. This will enhance the internal control over the governmental funds while the billing problems are being resolved. Any and all discrepancies must be promptly investigated and adjusted with adequate explanations.

I wish to thank the Township's Clerk and Treasurer for their support and assistance during our audit.

This report is intended solely for the information and use of the **Township of Stambaugh**.



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

June 18, 2007